



SFE NOTICE NO.

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SFE SPI 200™ Index Futures Contract Expiry – Market Information Update

As market users will be aware, the June 2007 expiry of the SFE SPI 200™ Index Futures contract takes place on Thursday, 21 June 2007 at 12:00 noon. The settlement price for this contract is drawn from the Special Opening Quotation of the underlying S&P/ASX 200 Index, which in turn is derived from the first traded price in each component stock in this Index on the contract's Last Trading Day.

In light of current futures holdings and potential strategies surrounding expiry, SFE wishes to ensure market awareness of the following factors.

As part of its market operator licence which imposes front-line market supervisory authority and obligations to ensure that its markets are fair, orderly and transparent, Exchange Surveillance personnel monitor trading activity and holdings approaching expiry, and initiate contact with relevant parties to gain adequate assurance as to traders' intentions and understanding of their obligation to trade in a manner consistent with the fair, orderly and transparent operation of SFE's markets. As a result of a number of such discussions in recent days, the Exchange has gained the necessary assurances regarding traders' intentions and strategies in meeting these obligations.

SFE recognises, however, that circumstances particular to the June contract have led to a number of large positions being accumulated. Traders have advised that they may seek to reduce their exposures by permitting futures positions to expire and by trading out of physical equities during the opening auction on the day of expiry. As a result, SFE wishes to advise traders that the aforementioned market operations have the potential to lead to a much larger level of liquidity being provided in physical equity transactions during Thursday's ASX opening price auction than is usually the case. This could lead to unexpected levels of price volatility – traders who are unwilling to accept this price risk may look to exit positions before this.

SFE wishes to remind SPI 200™ Index Futures traders who are also active in ASX equity markets that they should comply with all rules and relevant guidance regarding trading on those markets, especially through the expiry process.

Should you have any queries in relation to the above, please contact Nick Gaut, Senior Market Analyst, Futures Compliance & Surveillance, on (02) 9227-0226 or at nick.gaut@asx.com.au

A handwritten signature in black ink, appearing to read 'R. Coaldrake', is written in a cursive style.

Robert Coaldrake
Senior Manager, Futures Compliance & Surveillance

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